

# PROMOTING PEACE? REEXAMINING U.S. AID TO THE PALESTINIAN AUTHORITY

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## HEARING BEFORE THE SUBCOMMITTEE ON THE MIDDLE EAST AND SOUTH ASIA OF THE COMMITTEE ON FOREIGN AFFAIRS HOUSE OF REPRESENTATIVES ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

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## **PROMOTING PEACE? REEXAMINING U.S. AID TO THE PALESTINIAN AUTHORITY**

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**TUESDAY, JULY 12, 2011**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON THE MIDDLE EAST  
AND SOUTH ASIA,  
COMMITTEE ON FOREIGN AFFAIRS,  
*Washington, DC.*

The committee met, pursuant to notice, at 10 o'clock a.m., in room 2172 Rayburn House Office Building, Hon. Steve Chabot (chairman of the subcommittee) presiding.

Mr. CHABOT. The committee will come to order. Good morning. I want to welcome all my colleagues to this hearing of the Subcommittee on the Middle East and South Asia. This hearing was called to assess the Obama administration's aid policy to the Palestinian Authority and to take stock of the challenges we continue to face.

On January 22, just 2 days after his inauguration, President Obama appointed Senator George Mitchell as Special Envoy to the Middle East. Two and a half years later, just days after accepting Senator Mitchell's resignation, President Obama reiterated his belief that the resolution of the Israeli-Palestinian conflict is one of America's core interests in the Middle East.

Throughout these 2½ years, assistance to the Palestinian Authority has consistently remained a central pillar of the administration's policy toward the Israeli-Palestinian conflict. Unfortunately, recent developments on the ground require that we reassess our current policy trajectory and, if necessary, adjust accordingly.

I recently traveled to Israel and the West Bank where I was able to once again gain firsthand knowledge of our efforts there. Unfortunately, however, some of the challenges we face appear to intensify by the day.

The current Palestinian leadership appears all too willing to sacrifice the tremendous gains that have been achieved by Prime Minister Fayyad's state building effort in the name of political theatrics.

Instead of capitalizing on those gains through honest negotiations with Israel, the Palestinian leadership appears dead set on pursuing a unilateral declaration of independence before the U.N. General Assembly this September. True Israeli-Palestinian peace will only be made between two peoples, Israelis and Palestinians, and not the other 191 other members of the General Assembly.

The road to Palestinian statehood does not start in New York, and it is not the place for the United States or the United Nations

nor any other country or institution to short circuit the requisite negotiations between the two parties. A unilateral declaration of independence is simply rejectionism by another name.

Similarly, the recent unity agreement between Hamas and Fatah is a very troubling development. I was, in fact, in Ramallah discussing with Palestinian Prime Minister Fayyad his tremendously important state building efforts when this agreement was likely agreed upon, apparently without the blessing or maybe even the knowledge, of Prime Minister Fayyad.

Shortly thereafter, I had the opportunity to meet with Israeli Prime Minister Netanyahu, who expressed grave concern both for Israel's security as well as for the prospects for peace. "How," he asked us, "could the Palestinian leadership be a serious partner for peace if it welcomed into its ranks vicious terrorists who continue to deny the very right of the state of Israel to exist?" His concern is more than justified.

Although very few details have emerged since this document was signed, and although it does not appear much has changed on the ground, the mere presence of this agreement raises serious concerns that, regrettably, we must now address.

The Palestinian Antiterrorism Act of 2006 very clearly stipulates conditions that must be met in order for U.S. assistance to continue, including that any Palestinian Government accept the three Quartet principles: Acknowledging Israel's right to exist; renouncing violence; and agreeing to abide by past agreements.

No U.S. taxpayer money can or should go to a Palestinian Government that does not embrace these three simple principles. For years, we have invested heavily both money and effort to help the Palestinians build a state for themselves, and our work has yielded results. The economy in the West Bank continues to improve. Parents are able to send their children out at night.

Israelis have felt comfortable making concessions on security that would have been unthinkable even a few years ago. In no small part, this is due to the hard work of the United States Security coordinator for Israel and the Palestinian Authority.

General Moeller, I would like to thank you for your continued service to our country. I am extremely impressed with the program that you are running, as well as the professionalism of the soldiers who are trained in it, and although I may have my concerns, given recent developments, it would be extremely unfortunate if we were to have to end this important program because of an irresponsible decision by those who would prefer the path of rejection to the path of peace.

We are rapidly approaching a watershed moment in U.S.-Palestinian relations. Both the reconciliation government and the pursuit of a unilateral declaration of independence at the U.N. could not be more contrary to U.S. interests in the region.

The fact remains that rejectionist elements within the Palestinian leadership still refuse to sit and negotiate in good faith, even as Israel repeatedly reiterates its commitment to the establishment of a Palestinian state.

Israel, like the United States, welcomes those who would make peace even as it fights those who would make war. Time and again, Israel has demonstrated its commitment to a Palestinian state, liv-

ing as its neighbor in peace and security, but there are no shortcuts on the path to this outcome, and there is no getting around the hard concessions that will have to be made. Although short term security may be achievable unilaterally, peace is not. Palestinian rejectionism, whether by Hamas or Fatah, must be abandoned.

I would now like to yield to the distinguished gentleman from New York, the ranking member of the committee, formerly the chair of the committee, Mr. Ackerman.

Mr. ACKERMAN. I thank the chairman very much for a very, very important hearing, and a personal welcome to our very, very distinguished experts today.

The first question we should consider at today's hearing is which Palestinian Authority we are talking about, since there appears to be two of them. This entity is quite apart from Hamas, which is a de facto authority in Gaza by way of perpetuating a military coup. The PA itself exhibits the kind of contradictory behavior that, in a person, might be diagnosed as a split personality disorder.

So what do we make of this Jekyll and Hyde government? On the one hand, under the leadership of President Mahmoud Abbas and Prime Minister Salam Fayyad, the PA has ceased to be a coordinator and instigator of terror, and now combats it with growing efficacy and professionalism. On the other, Abu Mazen, as President Abbas is also known, has agreed to a unity agreement with the blood-soaked terrorists in Hamas who have never—not even for the briefest of moments—never considered or diminished or revised their insistence on Israel's utter annihilation, and the glory of using violence against Israeli civilians.

This political reconciliation agreement may well never be implemented as both major political Palestinian factions, Abu Mazen's Fatah, and the terrorist Hamas, may have a greater interest in the concept of reconciliation than its implementation. Nonetheless, I would suggest to the PA leadership that, when you get into a cage with a tiger, you are not a partner. You are a lunch.

Fatah leaders may think they have worked out a deal for a merger. They should consider the possibility that their more vicious counterparts in Hamas think they have got a deal for an acquisition. Abu Mazen, the PLO and his Fatah faction are all officially in favor of peace, support the Oslo Accord and the other subsequent Israel-Palestinian agreements.

I, like many of my colleagues, have often met with and spoken with Abu Mazen, his key advisors, and Prime Minister Fayyad, as recently as 2 weeks ago. It becomes obvious immediately that their goal is to create a Palestinian state living side by side with Israel. These are men interested in creating a new Palestinian state, not in destroying the existing Israeli one. Nevertheless, as continues to be regularly documented, the PA, Abu Mazen's Fatah faction, and senior Fatah leaders continue to glorify terrorists and fail to recognize in ways both large and small Israel's existence and its right to live in peace and security.

Incitement and the ongoing failure of Palestinian leaders to speak frankly with the Palestinian public about the need for give and take in negotiations continues to raise questions about Palestinian intentions. It is long past time for this convenient ambiguity

to be resolved clearly and finally regarding the unacceptability of violence and the need for sacrifices on both sides to achieve peace.

While Abu Mazen may continue to insist that Palestinians are still committed to directly negotiating a two-state solution to the conflict with Israel, his actions demonstrate a very different and dangerous alternative approach. The current Palestinian campaign to seek bilateral recognition around the world, culminating in September with an effort to force a vote in the U.N. on Palestinian statehood, is fraught with peril for all parties concerned, most of all the Palestinians.

The Palestinian leadership seems to be running headlong off a cliff, because it can't figure out how to do what they probably already know would be best, to sit down to direct negotiations with Israel. So we in the United States, as the chief sponsor of the peace process and Israel's key ally, need to figure out where we, in light of our own fiscal reality, have to draw some red lines to get this process back on track and to keep it from getting out of control.

I would suggest that there should be three requirements for our assistance, based not only on our interest in sound policy but consistent with our own current political reality.

First, this reconciliation deal was, is, and will remain a bad idea. Palestinians may like the idea of their leaders all getting along, and may be willing to live with the contradiction of a government half-committed to peace and half-committed to attacking school buses with anti-tank missiles, but we are not, and we never will be. As a matter of both law and basic decency, we will never do business with or provide aid to a government controlled by or reporting to terrorists, period, full stop.

Number two: If you represent a party that says it is in favor of peaceful negotiations, then it is not unreasonable to expect you to engage in direct negotiations for peace. Abu Mazen, Prime Minister Netanyahu is waiting for you. A proposed initiative to force the issue of statehood at the U.N. is a clear and material breach of the Oslo Accords and a dangerous proposition for all parties. It needs to be shelved, and direct talks need to begin.

No one but the Palestinian leadership is forcing the issue to the U.N., and no one but the Palestinian leadership can pull the plug on this misbegotten idea. American aid is intended to support the peace process. If the Palestinian leadership unwisely chooses to abandon that process in favor of running after the illusion of statehood at the U.N., that decision will likely come with an annual price tag in the hundreds of millions of dollars and, more expensively, the loss of any claim to common sense.

Finally, the PA needs to get its act together with regard to its public communications, media approach, and official attitude regarding peace and the use of violence. The view of its senior leaders in favor of peaceful negotiations needs to be consistently represented in all areas in which the PA acts, whether in the PA media outlets, the naming of streets or grant awards, or school books.

The PA can't wink and nod at the glorification of terrorism here and there, and expect the word not to get out, and that it will not have consequences. Incitement is not a phony issue. It speaks to intentions and undermines confidence in the Palestinian leadership

which, given the issues of reconciliation and the U.N. initiative, is already severely strained.

Since 2000, Israeli Governments under Prime Ministers Barak and Olmert have offered Palestinians full blown peace offers. Prime Minister Sharon orchestrated Israel's unilateral withdrawal from Gaza, and Prime Minister Netanyahu instituted the first ever freeze on settlements solely as an act of good faith. It is time for Abu Mazen to find the same kind of courage in his own convictions, and find a way to get back to the negotiating table. History is waiting for him. Thank you, Mr. Chairman.

Mr. CHABOT. Thank you very much. If other members of the panel would like to ask questions, we would be happy to give members 1 minute. The gentleman from Pennsylvania, Mr. Marino, were you interested in making a statement? Okay, thank you. Mr. Cardoza from California is recognized for 1 minute.

Mr. CARDOZA. Thank you, Mr. Chairman. I just wanted to say that I associate myself with the remarks of the chairman and the ranking member entirely. I also was in Israel speaking to Mr. Fayyad on nearly the day that Hamas and the PA reconciled, and I think it is an abomination.

I don't support any further funding if they continue this process. I think we need to cease and desist. We can't be a party to providing dollars to terrorist organizations and to organizations who commit themselves to the destruction of the state of Israel. I won't vote for it, and I will work with the chair and others to lead the charge against it, if they continue along this path.

Mr. CHABOT. Thank you very much. The gentleman from South Carolina, Mr. Duncan, is a member of the full committee, not a member of this subcommittee, but asking unanimous consent that he be at the end of each on our side, be able to either make a statement or ask questions. Without objection. So ordered. Mr. Duncan, would you like to make a 1-minute opening statement?

Mr. DUNCAN. Thank you, Mr. Chairman. Thank the committee for allowing me to participate today. I sent a letter around for other members to sign. This letter would be to the chairman of the House Committee on Appropriations, Mr. Rogers, basically requesting that in the upcoming appropriations process the committee restrict funding from going to the Palestinian Authority.

So this is a very timely issue for me, and I appreciate the opportunity to participate, and I would ask other members of the committee to consider signing that letter. The deadline is close of business this Friday. Thank you.

Mr. CHABOT. Thank you very much. And the gentleman from New York, Mr. Higgins, is recognized for 1 minute.

Mr. HIGGINS. Thank you, Mr. Chairman and ranking member. I, too, want to associate my thoughts to your statements and that of the ranking member, in that negotiating with the Palestinian Authority is not complicated by the integration of Hamas, its various groups. It obliterates its viability.

When we look at the toughest places and toughest neighborhoods throughout the world, the precondition toward a negotiated settlement has always been renouncing violence and recognizing your adversary's right to exist. That is a fundamental basis from which you develop a peace agreement.

The involvement of Hamas or the integration of Hamas seriously undermines the credibility of the Palestinian Authority to negotiate in good faith toward a peaceful settlement. So I look forward to the expert testimony of our witnesses. Thank you, sir.

Mr. CHABOT. Thank you very much. The gentleman from Virginia, Mr. Connolly, is recognized for 1 minute.

Mr. CONNOLLY. Thank you, Mr. Chairman. The recent reconciliation between Fatah and Hamas caught the attention of the international community. Last week's passage of the House Resolution 268 by an overwhelming vote of 407 to 16 displays the overwhelming support for the firm belief that any Palestinian unity government must publicly and formally forswear terrorism, accept Israel's right to exist, and reaffirm previous agreements already made with Israel.

The resolution also reaffirmed the United States' statutory requirement precluding assistance for a Palestinian Authority that includes Hamas unless and until the PA and all of its ministers abide by the three previously mentioned conditions, which have long been part of the United States' Middle East policy.

When examining this policy, it is important to closely scrutinize one of those key components, economic aid, designed to facilitate basic services for the future. I look forward to the testimony this morning, Mr. Chairman, and thank you for holding this hearing.

Mr. CHABOT. Thank you very much. I would like to introduce our very distinguished panel here this morning at this time, and we will start with Jacob Waller who is the Deputy Assistant Secretary of State for Near Eastern Affairs, responsible for U.S. policy with respect to Egypt, Israel, Jordan, Syria, Lebanon, and the Palestinians. In over 25 years with the State Department, he has been an active participant in Middle East peace efforts dating back to the 1991 Madrid Conference. From September 2009 to June 2010, Mr. Waller was the Cyrus Vance Fellow for Diplomatic Studies at the Council on Foreign Relations. Before that, he served as U.S. Consul General and Chief of Mission in Jerusalem from July 2005 to August 2009. Mr. Waller also served as Director of the Office of Israel and Palestinian Affairs from 1998 to 2001, and as Deputy Principle Officer at the U.S. Consulate General in Jerusalem from 1996 to 1998. We welcome you here this morning.

Next, I would like to introduce General Moeller, General Michael Moeller. Lieutenant General Moeller is the U.S. Security Coordinator for Israel and the Palestinian Authority. He is responsible to the Secretary of State for assisting the Palestinian Authority to transform and professionalize its security sector, advocating for security initiatives that build trust and confidence, and supporting whole-of-government efforts to set the conditions for a negotiated two-state solution.

General Moeller received his commission from the U.S. Air Force Academy in 1980. Prior to his current assignment, he was the Director for Strategy, Plans and Policy for U.S. Central Command. General Moeller is a command pilot with more than 4,440 flying hours and 670 combat hours for Operations Desert Storm, Enduring Freedom, and Iraqi Freedom, and we welcome you here this morning, General, and thank you very much for your service, sir, to our country.

Last but not least is George A. Laudato. Mr. Laudato leads the Middle East Bureau as the Administrator's Special Assistant for the Middle East at the U.S. Agency for International Development, USAID. He has more than 45 years of experience in international program development and management in the private and public sectors in Asia, the Middle East, Latin American, and Central Europe.

From 1998 to 2007, Mr. Laudato was Managing Senior Vice President of the International Health Area at Abt Associates, directing programs across 40 projects and more than 350 employees worldwide. Prior to joining Abt, Mr. Laudato served for 29 years with USAID where he directed major regional and policy bureaus and led country missions. He was Deputy Assistant Administrator for the Bureau for Asia and the Near East from 1991 to 1995, and we welcome you here, Mr. Laudato.

I am sure all the panel members are aware of the rules, which basically give each of the witnesses here this morning 5 minutes, and there is a lighting system. The yellow light will come on when you have 1 minute to wrap up, and we ask that when the red light comes up, that you stop right on time or be wrapping up.

We will begin with Mr. Waller.

**STATEMENT OF THE HONORABLE JACOB WALLER, DEPUTY ASSISTANT SECRETARY OF STATE, BUREAU OF NEAR EASTERN AFFAIRS, DEPARTMENT OF STATE**

Mr. WALLER. Thank you, Chairman Cabot, Ranking Member Ackerman, members of the committee. I am honored to be here today to provide you with an overview of U.S. assistance to the Palestinian Authority, and discuss how it promotes U.S. national security interests. I will keep my remarks brief, and I would ask that my full written statement be included in the record.

Mr. CHABOT. Without objection, so ordered.

Mr. WALLER. This administration believes that achieving comprehensive Middle East peace is in the national security interest of the United States. The administration has worked vigorously to achieve a negotiated Israeli-Palestinian agreement based on the core concept of two states for two peoples: Israel as a Jewish state and the homeland for the Jewish people, and Palestine as the homeland for the Palestinian people.

A just, lasting, and comprehensive peace between Israel and all her neighbors is central to American interests in the Middle East, and it has been the objective of every U.S. administration dating back to President Harry Truman.

To that end, we have been working intensively with the parties to resolve the issues between them through direct negotiations. This administration, like those before it, has been clear. Permanent status issues between Israel and the Palestinians must be decided through direct negotiations between the two sides, not at the United Nations or anywhere else.

Our assistance to the Palestinian people is guided by this paramount U.S. national security interest. We strongly believe that building Palestinian Government institutions and a viable Palestinian economy serve our interests and are essential for peace, the stability of the region, and the security of both Israel and the Pal-

estinians. Our programs are focused on helping the Palestinians build institutions of government and security forces that have gained the trust of the Palestinian people and their Israeli counterparts.

As you know, institution building is a long and arduous process. I have been involved in different aspects of our assistance for the Palestinians for over two decades, starting with President Ronald Reagan. In the 1990s after the first Israeli-Palestinian agreements were signed, we began to support the newly created Palestinian Authority. In the last decade, we began a program to provide security assistance to the Palestinian Authority with the creation of the United States Security Coordinator in 2005. President Obama has continued these efforts in his strong support for the security assistance program and for our extensive economic and humanitarian programs for the Palestinians.

Through our USAID programs, we are helping the PA to improve public services. These activities are designed to help the PA meet essential needs and to offer an alternative to those who reject a two-state solution and seek to exploit human suffering to radicalize the population and recruit supporters.

Our assistance to PA Security Forces has been critical to the improved security situation in the West Bank. U.S. trained PA Security Forces have worked effectively with their Israeli counterparts to maintain stability in the West Bank. I recently returned from a visit to Israel and the West Bank and had the opportunity to meet with both Israeli and Palestinian officials. The Israeli officials I met with confirmed that Palestinian security efforts in the West Bank remain robust, and Palestinian officials assured me this would remain the case, regardless of political developments.

We strongly believe that the continuation of U.S. assistance is essential to support a Palestinian Government prepared to make peace with Israel. Nevertheless, as President Obama has made clear, the Hamas-Fatah reconciliation agreement “raises profound and legitimate questions.” Since the agreement was signed in May, however, key issues have remained unresolved between the two sides, and the agreement has not yet been implemented. If a new PA Government emerges, we will evaluate it carefully, and our assistance will be guided by all relevant U.S. laws.

Let me be clear. In our decision making, the administration will ensure the full implementation of U.S. law, but as of now, the current PA Government under the direction of President Abbas and headed by Prime Minister Fayyad remains in place. President Abbas has made clear that he and his government accept the Quartet’s principles, and Prime Minister Fayyad continues to make progress in building institutions and maintaining security. For these reasons, we believe they deserve our continued support.

In conclusion, Mr. Chairman, I want to emphasize our view that assistance to the Palestinian Authority and to the Palestinian people is an important element in our effort to advance U.S. national security interests in the Middle East. On behalf of the administration, I thank you for the opportunity to brief you on this program, and for your support for our efforts. Thank you very much.

[The prepared statement of Mr. Walles follows:]

**Jacob Walles, Deputy Assistant Secretary for Near Eastern Affairs**  
**Statement for House Committee on Foreign Affairs**  
**Subcommittee on the Middle East and South Asia**  
**Hearing: Promoting Peace? Reexamining U.S. Aid to the Palestinian Authority**  
**July 12, 2011**

Thank you Chairman Chabot and Ranking Member Ackerman. I am prepared to provide the Subcommittee a strategic overview of U.S. assistance to the Palestinian Authority, and discuss how it relates to U.S. national security interests in the Middle East.

This Administration believes that achieving comprehensive Middle East peace is in the national security interest of the United States. The Administration has worked ceaselessly to achieve a negotiated Israeli-Palestinian peace agreement based on the core concept of two states for two peoples: Israel as a Jewish state and homeland for the Jewish people, and Palestine as the homeland for the Palestinian people. A just, lasting, and comprehensive peace between Israel and her neighbors is central to American interests and goals in the Middle East, and it has been an objective of every U.S. Administration dating back to President Harry Truman.

To that end, we have been working intensively with the parties to resolve the issues between them through direct negotiations and, simultaneously, supporting the Palestinians in their efforts to create robust institutions and a viable economy – essential to a future Palestinian state that will be a responsible neighbor and contribute to regional peace, security, and stability.

Our efforts to support Palestinian institution building are critical to preparing the ground for a successful and stable peace. And they remain critical even as progress on the political track has proved difficult to achieve. This Administration, like those before it, has been clear – permanent status issues between Israel and the Palestinians must be decided through direct negotiations between the two sides, not at the United Nations. We will continue to strongly oppose efforts to resolve these issues at the UN or other international organizations.

Our assistance to the Palestinian people is guided by this paramount U.S. interest of achieving a comprehensive Middle East peace, which in turn promotes regional stability and undermines extremists. We strongly believe that building Palestinian government institutions and a viable Palestinian economy serve these interests and are essential for peace, the stability of the region, and the security of both Israel and the Palestinians. Our programs have focused on helping the Palestinians build transparent, accountable, and credible institutions of government that will enable stability and sustained economic growth; they have also been essential to building professional and dependable security forces that have gained the trust of both the Palestinian people and Israeli counterparts.

As you know, institution building is a long, arduous process that needs consistency and a long-term commitment if it is to succeed. Our assistance to the Palestinians dates back many decades and has long enjoyed bipartisan support. I have been involved in different aspects of our

assistance for the Palestinians for over two decades, starting when Ronald Reagan was president. In the Administration of President George H.W. Bush, our assistance supported the Palestinian people as we first began direct negotiations after the Madrid Middle East Peace Conference in 1991. Under the Administration of President Clinton, we began to support the Palestinian Authority that was set up after the first Israeli-Palestinian agreements were signed in the 1990s. Under President George W. Bush, we began a program to provide security assistance to the Palestinian Authority, with the creation of a United States Security Coordinator in 2005 to train and equip Palestinian security forces that could begin to assume law and order responsibilities. President Bush also authorized the largest aid package to the Palestinian Authority in U.S. history. President Obama has continued this effort in his strong support for this security assistance program and for our extensive development and humanitarian programs for the Palestinians.

We are helping the PA to improve public services, increase the capacity of their justice sector, put in place critical infrastructure, and meet urgent humanitarian needs. These activities are designed to help the PA to meet essential needs and to offer an alternative to those who reject a two-state solution and exploit human suffering to radicalize the population and recruit supporters.

I would like to provide just one example of the impact of our security assistance on peace and stability. U.S.-trained Palestinian Authority Security Forces (PASF) have worked effectively with the Israel Defense Forces (IDF) to counter the mutual threat of terrorism, and have maintained calm in the West Bank even during periods of tension, including the recent May “Nakba Day” and June “Naksa Day” protests. While there was violence on the Blue Line with Lebanon and in the Golan along the Disengagement Line with Syria, in the West Bank U.S.-trained Palestinian Authority Security Forces maintained order in coordination with Israeli forces. Their professionalism has been praised by the Government of Israel and the IDF. I recently returned from a visit to Israel and the West Bank and had the opportunity to meet with both Israeli and Palestinian officials. The Israeli security officials I met with confirmed that Palestinian security efforts in the West Bank remain robust, even following the recent reconciliation agreement between Hamas and Fatah. And Palestinian officials assured me that this would remain the case regardless of political developments. We will continue to monitor the situation closely to ensure that this remains true.

Our justice sector assistance, which complements the security assistance program, has increased the effectiveness and fairness of the criminal justice system by providing training to Palestinian judicial and prosecutorial institutions and has solidified gains made by the Palestinian security services in combating crime and terrorism in the West Bank.

Our economic support has been equally critical to our objectives. Our budget assistance to the Palestinian Authority has been key to ensuring that the PA can continue progress on reforms and provision of services to its people. Due to the PA’s unique interim status, the Palestinian leadership lacks control of its future borders and many of its population centers, which limits its ability to manage its own economy or collect tax revenues. While the PA has increased revenue collection in areas under its control dramatically in recent years, more progress is needed before

the PA will be self-sustaining. Additionally, our assistance gives us strong leverage both to encourage the PA to continue the real progress it has made to date enacting fiscal reforms and to work with other governments to fulfill their commitments of support to the PA.

We strongly believe the continuation of U.S. assistance is key to supporting a Palestinian government prepared to make peace with Israel. Nevertheless, as President Obama made clear, the Hamas-Fatah reconciliation agreement “raises profound and legitimate questions” which Palestinian leaders will have to answer. The President has been clear that Israel cannot be expected to negotiate with a terrorist organization sworn to its destruction. The United States will continue to demand that Hamas accept the basic responsibilities of peace, including recognizing Israel’s right to exist and rejecting violence and adhering to all existing agreements.

Since the agreement was signed in May, however, key issues remain unresolved between the two sides. In the meantime, the existing government under President Abbas and Prime Minister Fayyad remains in place, and they continue their efforts to build institutions and ensure security. If a new government emerges, we will evaluate it carefully, and our assistance will be guided by all relevant U.S. law. Let me be clear: in this assessment, the Administration will ensure the full implementation of U.S. law. But as of now, nothing has changed in terms of Palestinian Authority governance or affairs on the ground in the West Bank – the PA government, headed by Prime Minister Salaam Fayyad, remains in place.

President Abbas has made clear that he and his government accept the Quartet’s principles: a commitment to non-violence, recognition of Israel, and acceptance of all previous agreements and obligations. Prime Minister Fayyad’s government continues to make progress in building the transparency, accountability, and security that will be essential to an independent Palestine that can live in peace and security alongside Israel, and as such deserves our continued support.

In conclusion, I want to emphasize that our assistance to the Palestinian people is an important building block of our efforts to achieve a comprehensive peace in the Middle East that will allow all people there – Israelis, Palestinians, and others – to live their lives in peace, in dignity, and in security. The United States plays a critical role in the cause of Middle East peace because it is consistent not only with our values, but with our national security interests as well. On behalf of the Administration, I thank you for the opportunity to brief you on this program, and for your support for these efforts.

Mr. CHABOT. Thank you.

General Moeller, you are recognized for 5 minutes

**STATEMENT OF LIEUTENANT GENERAL MIKE MOELLER,  
UNITED STATES SECURITY COORDINATOR FOR ISRAEL AND  
THE PALESTINIAN AUTHORITY, DEPARTMENT OF STATE**

General MOELLER. Thank you, sir. Mr. Chairman, Ranking Member Ackerman, distinguished committee members, thank you for inviting me here today. As United States Security Coordinator for Israel and the Palestinian Authority, I have the privilege of leading a 145-person joint, coalition and interagency team that includes nine international partners, of which Canada and the United Kingdom play critical leadership roles.

The 16 U.S. Department of Defense personnel form the heart of this unique organization. These DoD members are assigned to the State Department, and my boss is the Secretary of State. We live in the region, with our headquarters in Jerusalem.

Before I talk about the detailed part of the program, I would like to remind you that the Government of Israel approves all aspects of U.S. support to the Palestinian Authority Security Forces, and that the USSC would never advocate or sponsor activities that could threaten Israeli security. Additionally, our funding is separate from the \$2.9 billion in direct assistance to the State of Israel.

We use I&L funding to resource our security assistance efforts, which is the core of what we do. The program assists the PA in building the security force structure and infrastructure, including the required equipment and training needed to conduct the full range of missions currently allowed under Israeli and Palestinian security agreements. The program has enabled the Palestinian Security Forces to make significant progress.

To date, almost 4800 Palestinian Authority troopers have graduated from the U.S. supported Jordanian International Police Training Center. All graduates receive extensive professional skills training that emphasizes respect for human rights, rule of law, and the proper use of force.

The West Bank training initiative focuses on other specialty skills and leadership training and development. Palestinian instructors teach these courses. To date, we have seen 3500 service graduates.

We take a holistic approach. So we also focus on the support infrastructure to match these force structure improvements. This infrastructure includes garrison camps with facilities and training areas required to maintain the security force's professional skills; joint operations centers for joint planning and command and control; and a national training center in Jericho. All projects are on track and on budget.

This year, we are moving into the next phase of the program, building Palestinian Authority security force institutional capacity. In this phase, we will help the PASF develop the indigenous capability to maintain and sustain their force structure and infrastructure. The USSC also supports other U.S. rule of law programs that assist the Palestinians to improve the performance of their justice and corrections sectors.

Despite recent events, including the Fatah-Hamas reconciliation, there have been no changes in personnel, no changes in security practices on the ground and, I should emphasize, no change in the chain of command. The current Palestinian Authority Government under President Abbas retains sole authority over the PASF.

Additionally, Palestinian Security Forces continue to pursue bad actors across the West Bank, including members of Hamas. Security coordination is still very strong, and the Government of Israel continues to support our security assistance requests.

Meanwhile, the Palestinian Security Forces just sent 50 civil defenders to Jordan, including firefighters and ambulance drivers, for basic training. Last week, the Government of Israel approved the next deployment of the National Security Force's Special Battalion, which includes 500 Palestinian recruits, to begin their basic training in Jordan.

As you know, militaries do not relax a security regime without a trusted, capable partner. In the last year, the Israelis have dramatically reduced the number of manned checkpoints and cut the number of combat brigades assigned to the West Bank. The PASF performance during the May 15 and June 5 demonstrations provide excellent examples of the growing professionalism and competence of the Palestinian Authority Security Forces.

These forces deployed to troubled areas, coordinated effectively across the military services, and expertly conducted their assigned missions. As a result, there was very little violence and limited criminal activity during those periods.

In conclusion, we deeply appreciate your continued support for this critical program with a demonstrated record of success. The consensus is that the Palestinian Authority Security Forces is becoming an effective professional force, and that we must maintain our security assistance efforts.

We understand the challenges and uncertainty ahead, but we believe that the USSC mission enables regional stability, enhances Israeli security, improves the lives of the Palestinian people and, most importantly, supports U.S. national security interests. Thank you, sir.

[The prepared statement of General Moeller follows:]

**Lieutenant General Moeller**  
**United States Security Coordinator for Israel and the Palestinian Authority**  
**Statement for House Committee on Foreign Affairs**  
**Subcommittee on the Middle East and South Asia**  
**July 12, 2011**

Mister Chairman, Ranking Member Ackerman, and distinguished committee Members, thank you for inviting me here. I am the United States Security Coordinator for Israel and the Palestinian Authority (USSC) and lead a 145-person joint, coalition and interagency team. The 16 US-DoD personnel assigned to the USSC form the heart of this unique organization and we work with nine international partners of which Canada and the United Kingdom play critical leadership roles. These DOD members are assigned to the State Department and State pays all the bills except for salaries; my boss is the Secretary of State. We live in the region with our headquarters in Jerusalem.

The mission takes a three-pillar approach:

- First, we assist the Palestinian Authority to professionalize their security forces.
- Next, we engage with the Israelis & Palestinians on security initiatives that build trust and confidence.
- Finally, we support other US and international whole-of-government efforts.

Before I get into the details of the program, I would like to remind you that the Government of Israel has 100% transparency into all aspects of US support to the PA Security Forces (PASF) and that the USSC will never advocate or sponsor activities that could threaten Israeli security. Additionally, our program funding is separate from the \$2.994B in direct assistance to the State of Israel that Congress approved for FY 2011.

We use International Narcotics and Law Enforcement (INCLE) funding to resource our security assistance efforts, which is the core of what we do. We are in the fourth year of a very successful program to assist the PA in building the security force structure and infrastructure, including the required equipment and training needed to conduct the full range of missions currently allowed under

Israeli/Palestinian security agreements. The program has enabled the PA Security Forces to make significant progress. To date:

- 4,761 Palestinian troopers have graduated from the US-supported Jordanian International Police Training Center (JIPTC) in Jordan. All graduates receive extensive training that develops their professional skills and emphasizes respect for Human Rights and rule of law, as well as the proper use of force.
- The West Bank training initiative focuses on other individual specialty skills as well as leadership and continuation training. Palestinian instructors teach these professional courses and, to date, the PA has graduated 3500 service members from this training.
- We take a holistic approach to our assistance so, in addition to professional training and equipment, we also focus on the support infrastructure to match these force structure improvements. This infrastructure includes Garrison Camps with barracks, dining facilities, classrooms, and training areas required to maintain the security force's professional skills.
- In addition, our assistance has enabled the PA to build Joint Operations Centers that provide a facility for all PA security services to come together for joint planning as well as to command and control their operations. We have also helped the PA construct a National Training Center in Jericho – all projects are on track and on budget.

This year, we will transition the program into the next phase of our campaign plan: Building institutional capacity. This new phase is less resource intensive as we move away from primarily providing the Palestinian security forces with equipment and infrastructure toward an increasingly direct “advise and assist” role.

In this phase, we will help the PASF develop indigenous readiness, training, and logistics programs and the capability to maintain/sustain their force structure readiness and infrastructure. Additionally, the USSC will continue to support other US rule of law programs that assist the Palestinians to improve the performance of the Justice and Corrections Sectors.

Despite recent events including Fatah-Hamas reconciliation efforts, there have been no changes in personnel, no significant changes in security practices on the ground, and, I should emphasize, no change in the chain of command. The current Palestinian Authority government under President Abbas retains sole authority over the PASF. Additionally, the PASF continues to conduct effective security operations and pursue bad actors across the West Bank including members of Hamas; IDF/PASF security coordination is still very strong; and the Government of Israel continues to support our security assistance requests. Of course, we will continue to monitor developments closely.

Meanwhile, the PASF deployed 50 civil defenders including fire fighters and Emergency Medical Technicians to Jordan and they began their training on 19 June. Last week, we received approval from the Government of Israel for the next rotation of the National Security Force Special Battalion that will enable 500 new Palestinian recruits to deploy to Jordan and conduct their basic training in August.

As you know, militaries do not relax a security regime without a trusted, capable partner. In the last year, the Israeli security establishment has dramatically reduced the number of manned checkpoints and cut the number of Combat Brigades assigned to the West Bank. The PASF performance during the May 15 Nakba Day and June 5 Naksa Day demonstrations provide good examples of their growing professionalism and competence.

The PA security forces deployed to troubled areas, provided a visible presence, coordinated very effectively across the different security services, and expertly conducted their assigned missions. As a result, there was very little violence during those periods. Arguably, the West Bank regions under Palestinian control experienced the lowest level of unrest of all the areas that we were watching closely.

In conclusion, we deeply appreciate your continued support for this critical program with a demonstrated record of success. The consensus is that the PASF is becoming a responsive and effective professional force and that we must sustain our security assistance efforts. We understand the challenges and uncertainty ahead but believe that the USSC mission enables regional security and stability, enhances Israeli security, improves the lives of the Palestinian people, and most importantly, supports US national security interests.

Mr. CHABOT. Thank you very much, General.  
Mr. Laudato, you are recognized.

**STATEMENT OF THE HONORABLE GEORGE A. LAUDATO, ADMINISTRATOR'S SPECIAL ASSISTANT FOR THE MIDDLE EAST, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)**

Mr. LAUDATO. Chairman Chabot, Ranking Member Ackerman, distinguished members of the committee. Thank you for asking me to testify today.

Mr. CHABOT. Could you pull the mic just a little closer? Thank you very much.

Mr. LAUDATO. Thank you for asking me to testify on this timely and important topic today. I would like to highlight the impact of the U.S. Government's economic assistance programs and USAID's procedures to ensure that the programs reach their intended beneficiary.

With our colleagues throughout the U.S. Government, USAID is supporting Palestinian efforts to create robust institutions and a viable economy, essential to a future Palestinian state, a state that will be a responsible neighbor and contribute to regional peace, security, and stability.

Palestinian development efforts are based on a solid policy framework for sectors like health, infrastructure, economic growth and governance. These development policies provide a very solid foundation for effective donor programs. The U.S. Government's assistance program reinforces President Abbas' and Prime Minister Fayyad's vision for a viable Palestinian state that is responsive to the needs of its citizens.

I would like to highlight just a few examples of how USAID programs support this vision and affect the lives of Palestinians. The U.S. Government has supported long term development of institutions necessary for a future Palestinian state, living side by side with Israel, by promoting rule of law, respect of human rights, and civil engagement.

At the municipal USAID helps the Palestinian Ministry of Local Government to work effectively with local governments in delivering essential services to residents and in promoting community development through training officials in strategic planning, accounting, outreach, and other key government and management skills necessary for local governments.

We also support the Palestinian Authority's justice sector strategy, and we are helping to strengthen performance and credibility of the justice sector institutions. We are increasing public knowledge of the rule of law and how to engage the justice system, an essential element of any balanced society. For example, USAID works to increase the legal literacy among Palestinians. We foster broader support for an effective and independent judiciary, and strengthen linkages between professional and academic legal communities.

We have supported the development of water resources and roads throughout the West Bank. USAID's assistance in developing Palestinian capacity to manage scarce, fragile water resources is key to this effort. This is an area of mutual Palestinian and Israeli

concern, and where there will be shared benefits from the improved management of limited—very limited resources.

We have also refurbished over 450 kilometers of roads in the West Bank, making travel more commercially viable and opening access to health and education services for all residents. We are also helping to create jobs, increase competitiveness of key economic enterprises, and increase growth and opportunities across the region. USAID is working with Israeli based offices of U.S. high tech firms, such as Google, Sysco, and others, to help Palestinian firms integrate into the global IT community, and we have generated \$12 million in investments with Palestinian counterparts under this program.

To ensure that USAID programs reach the intended beneficiaries, USAID has designed a very stringent oversight procedure that prevent inadvertent support going to foreign terrorists organizations, including the Hamas controlled de facto government in Gaza. Before awarding a contract or grant to a local nongovernmental organization, USAID vets the organization's key officers through the law enforcement and intelligence systems, and checks the organization's lists against the lists of the Office of Foreign Assets Control at the U.S. Treasury.

Organizations applying for grants must also certify that they do not provide material support for terrorism.

Mr. Chairman, I appreciate the opportunity to discuss USAID's programs, and look forward to taking any questions that you may have.

[The prepared statement of Mr. Laudato follows:]

**Statement of George Laudato**  
**Special Assistant to the Administrator for the Middle East**  
**U.S. Agency for International Development**  
*Promoting Peace? Reexamining U.S. Aid to the Palestinian Authority*  
**July 12, 2011**  
**House Committee on Foreign Affairs**  
**Subcommittee on Middle East and South Asia**

Chairman Chabot, Ranking Member Ackerman, distinguished members of the Committee:

Thank you for inviting me to testify today on the U.S. Agency for International Development's (USAID) role in supporting the Administration's policy to achieve comprehensive regional peace in the Middle East that includes a negotiated Israeli-Palestinian peace agreement based on the core concept of two states for two peoples.

Our diplomats are working intensively with the parties to resolve the issues between them through direct negotiations. Simultaneously, we at USAID, with our colleagues throughout the U.S. Government, are supporting Palestinians in their efforts to create robust institutions and a viable economy that are essential to a future Palestinian state that is a responsible neighbor and will contribute to regional peace, security, and stability.

I will focus today on U.S. assistance in support of Palestinian capacity building. And I look forward to learning more about your concerns and priorities.

U.S. assistance efforts in the West Bank and Gaza are organized around several priority areas, consistent with President Abbas and Prime Minister Fayyad's vision for a future state, and that are also important for coordination and cooperation between Palestinians and Israelis, including:

- (1) Governance, and its component parts: fiscal stability; work in the security and justice sectors; democracy assistance and local governance efforts;
- (2) Health and Education;
- (3) Economic development;
- (4) Infrastructure, primarily extensive work in clean water access, and roads; and,
- (5) Humanitarian assistance in Gaza.

I will also highlight the safeguards and vetting procedures used by USAID in overseeing assistance programs.

USAID's work is intended to help build the foundation for a future Palestinian state that is stable, democratic, capable of providing law and order, economically viable, a responsible neighbor to Israel, and a source of moderation in the region. Our programs are helping the Palestinian Authority to become more responsive to citizen needs, and to be perceived by both Palestinians and Israelis as more effective and credible in its governance capabilities.

### **Impact of Assistance**

I have witnessed in the past several years real gains made by the current Palestinian leadership under President Abbas and Prime Minister Fayyad, with the support provided first by President Bush and then by President Obama, and from the Congress. Let me provide a few illustrative examples:

#### **1. Governance**

The direct budget support to the Palestinian Authority, initiated by President Bush, is possible because of the transparency and accountability introduced into the Palestinian Authority fiscal apparatus by Prime Minister Fayyad's administration and further enhanced by the work of the Palestinian Monetary Authority under the leadership of Jihad al-Wazir. Direct budget support from the U.S. and other donors allows the PA to pay debt it owes to Israel, Palestinian banks, local businesses and hospitals, with the objective of getting its economy on a more normalized and sustainable footing.

My colleagues from the Department of State, Jake Wallis and Mike Moeller, have given examples of the benefits of the security and justice assistance provided by the Bureau of International Narcotics and Law Enforcement Affairs (INL). USAID justice sector assistance works in complementary fashion for a fully coordinated rule of law effort – we provide training for judges, law clerks for courthouses, and we have supplemented, as needed, the technical staff within the PA Justice Ministry and the Office of the Attorney General.

#### **2. Health and Education**

In education and health, USAID projects help build both the infrastructure and the ability of Palestinian professionals to provide better services. For example, ten schools recently built by USAID provide modern learning facilities for over 7,000 students from the age of 6 to 18, while classrooms renovated by USAID benefit tens of thousands more students. To help improve the quality of education, USAID has trained more than 2,100 school, university and Ministry of Education teachers and staff on modern teaching and learning practices. USAID support to vocational schools, career counseling and internship programs is also helping to ensure that more students graduate with the skills they need to start their careers.

USAID assistance has helped the Palestinian healthcare system to meet the health needs of the population through emergency care and local health services. And USAID has provided \$17 million in modern medical equipment to significantly upgrade the quality and availability of clinical services throughout the West Bank and Gaza. A *Health Information System*, currently being rolled out, is leading to revolutionary improvements in the handling and accessibility of patient information, improving care treatment options and reducing time lost searching for information.

### 3. Economic Development

USAID assistance helps create jobs, increases the competitiveness of key enterprises and growth and opportunities across the region. For instance, USAID has provided on-the-job and formal training on lending to nine partner banks, facilitating over \$44 million in lending to Palestinian small and medium enterprises. The program complements an OPIC/MEI loan guarantee fund facility for Palestinian enterprises.

USAID has provided assistance to help Palestinians develop the Information Communications Technology (ICT) sector so the youthful and tech-savvy work-force in the West Bank and Gaza can be linked with the rapidly growing and global ICT sector. USAID has been helping to create and support partnerships between Palestinian and multinational information technology firms, leveraging the advantages of technology unconstrained by physical borders. Working in partnership with the Israeli offices of companies such as Google, Apple, Cisco, Microsoft, Intel, Hewlett Packard, we are helping small and start-up IT firms to integrate into the global IT community as developers of new cutting edge software. Partnerships established in just the past few years have resulted in more than \$12 million in investments and contracts with Palestinian counterparts, and training opportunities for more than 2,500 software engineers in advanced software development.

The USAID Trade Facilitation Program is an excellent example of providing win-win opportunities for Palestinians and Israelis on means for facilitating movement of Palestinian goods at border crossings, while safeguarding all aspects of secure logistics transit. For example, with the coordination of the Israeli Government - the Crossing Points Authority - last year we invested nearly \$2 million to upgrade and reopen the Jalameh crossing between Israel and the northern West Bank, adding new lanes and inspection sites. As a result, the number of vehicles able to cross has steadily increased from zero to roughly around 7,500 cars and buses per week. This has had an impact: Arab Israeli shoppers will spend an estimated \$12 million in Jenin, West Bank this quarter. The markets are full, the streets are crowded, and there's even a new movie theater.

### 4. Infrastructure – water/roads

Water is a precious resource in this part of the world, for Palestinians and Israelis alike. Over the past 12 years, USAID has supported the Palestinian Water Authority (PWA) development of water supply networks throughout the drought-prone and severely water-deficient West Bank. And we are working now on efforts agreed upon between Palestinian and Israeli Water Authorities to measure and assess sustainability of these resources into the future.

Between 2008 and 2010, we focused on water supply to address acute water shortages. Projects carried out through this partnership included the construction of deep water wells, pump stations, storage reservoirs and distribution pipelines. These projects have helped provide 1.2 million Palestinians with more reliable and cleaner water supplies. In FY 2011, we began expanding our assistance to develop PWA capacity to sustainably manage scarce and fragile water resources. Projects underway include wastewater treatment plants, a metering system, and tools for

planning to meet future demand. To protect several years of investment in the water sector, we plan to help the PWA and municipalities develop the critical function of operation and maintenance. Israelis also share our concern about and support for these efforts and will benefit directly from more sustainable management of scarce resources.

Over the last 9 years, USAID has refurbished more than 450 km of roads in the West Bank that have made travel safer, reduced commercial transportation costs and provided safer and faster access to health, education and other services. At the same time, USAID provided training and equipment to help revive non-functioning road repair units that can maintain these roads throughout the West Bank.

#### 5. Humanitarian assistance to Gaza

USAID is currently implementing more than \$77 million worth of humanitarian and recovery assistance in Gaza. With the approval of Israeli authorities, USAID provides a range of critical support to Gazan families, which includes agriculture, education, health, small-scale infrastructure, and economic recovery programs. USAID assistance also provides urgent health and humanitarian commodities to targeted populations. And finally, USAID supports the distribution of food assistance in Gaza through the U.N. World Food Program.

#### **Oversight of USAID Programs**

First, to ensure that USAID programs reach the intended beneficiaries, USAID has designed stringent oversight procedures that prevent inadvertent support going to Foreign Terrorist Organizations (FTOs). USAID and its partners take vetting procedures very seriously. The United States Government does not provide assistance to Hamas or other FTOs.

In addition to careful vetting of beneficiaries in accordance with long established procedures, USAID also requires an anti-terrorism certification from all partners receiving grants from USAID, and mandatory clauses reminding contractors and grantees of their legal duty to comply with applicable anti-terrorism laws and regulations; and conducts regular audits of programs.

Before making an award of either a contract or a grant to a local NGO, USAID checks the organization against lists maintained by the Office of Foreign Assets Control (OFAC) within the U.S. Department of Treasury. USAID checks each organization and the organization's principal officer, officers of its governing board of directors and other key individuals through law enforcement and intelligence community systems accessed by USAID's Office of Security. All NGOs applying for grants from USAID are required to certify, before award of the grant will be made, that they do not provide material support to terrorists.

In Gaza, USAID assistance is provided through international organizations and U.S. NGOs and goes directly to the people of Gaza. No assistance is provided to the Hamas-controlled *de facto* government in Gaza.

Mr. Chairman, I appreciate the opportunity to share with the Committee USAID's engagement in helping to build the capacity of the Palestinian Authority and in so doing, lay the foundation for a

future Palestinian state that hopefully will result from the negotiated outcome the U.S. Government is working to facilitate.

I am eager to hear your advice and counsel. Thank you again for inviting me to represent USAID today. I welcome any questions you may have.

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Mr. CHABOT. Thank you very much.

We appreciate the panel's testimony, all three, and at this time I would begin the questioning myself. So I recognize myself for 5 minutes.

Since the mid-1990s—this would be for you, Mr. Walles. Since the mid-1990s, the U.S. Government has committed over \$4 billion in bilateral assistance to the Palestinians. Unfortunately, despite our commitment, the Arab countries of the Middle East have not been so forthcoming. A recent news story reported that the Palestinian Authority would only be able to pay its employees half of their July salaries due to the budget shortfall. The story further noted that, "Of the \$971 million pledged by donors for this year, \$330 million of it has been paid so far, and Mr. Fayyad said the only Arab countries that had fulfilled their pledges this year were the United Arab Emirates, Algeria, and Oman."

Frankly, I find it outrageous that Arab countries, who claim to care so much about the plight of the Palestinians, are not willing to put their money where their mouths are. How much specifically have the Arab states contributed to help the PA over the past few years, and do you believe the Arab states are providing the appropriate levels of assistance to the Palestinian Authority and, if not, why not?

Mr. WALLES. Thank you, Mr. Chairman, for that question. According to the statistics that are maintained by the PA Ministry of Finance, Arab countries have contributed about \$1.8 billion in assistance to the Palestinian Authority since 2007. Of the Arab donors, Saudi Arabia has contributed the most, \$749 million since 2007.

What I would note, however, is that in recent years the level of assistance from Arab donors has declined. Just to give you some numbers, in 2009 the total amount provided to the PA from Arab donors was \$462 million. In 2010 that number was \$287 million, and so far this year in 2011 the Arab states have provided only \$78.5 million. Of that amount, the largest contribution has come from the United Arab Emirates. That is \$42.5 million. Algeria has provided \$26 million, and Oman has provided \$10 million.

Clearly, the numbers provided—or the amounts of assistance provided by the Arab states this year are not at the same levels as before. This has contributed to the significant problems that Prime Fayyad has faced, particularly in the past month in meeting the needs of the Palestinian Authority.

You are correct. This month Prime Minister Fayyad has not been able to pay full salaries. They have only been half-salaries, and that is very worrisome. Those salaries, of course, include the salaries of the security forces that are being trained by General Moeller and his team. So this is very worrisome. It is a matter that we have discussed over the years with the Arab states. We will be discussing this with them again, and urging them to at least meet the levels that they have provided in past years, so that the Palestinian Authority can continue to function.

Mr. CHABOT. Thank you, and it seems the United States gets a lot of criticism on us not being supportive enough for this two-state solution, but they are getting a lot of lip service, I think, from a lot of the Arab countries, and it needs to stop.

Let me go into another question here quickly. The Palestinian Authority has launched a campaign outside of direct negotiations in order to win admission as a full member of the United Nations, and is setting pre-conditions on final status issues which are supposed to be resolved through direct negotiations.

Will the administration pledge to veto any Security Council resolution on Palestinian statehood, and can you assure us that there will not be a last minute effort to issue a statement that undercuts the very purpose of the veto, as happened, unfortunately, back in February 2011?

Mr. WALLS. Well, first, I think the President was very clear in a speech he gave on May 22nd that we do not support U.N. recognition of Palestinian statehood. We do not believe that unilateral attempts by the Palestinians to deal with permanent status issues in the United Nations or any other international body is the correct path.

The correct path to achieve a two-state solution and to create a Palestinian state is a path of direct negotiations, and that is what we have been working hard with both the Israelis and the Palestinians to accomplish. We believe that a Palestinian state must emerge from these negotiations and cannot be created by the United Nations. We have worked closely with the parties on the negotiated outcome, and we have been clear in our conversations with the Palestinians that we will not support any unilateral effort of any kind in New York or in any other international organization.

Mr. CHABOT. Thank you for your answer, but I didn't hear any specific—and it may be above your pay grade to pledge not to recognize this and to veto any action at the United Nations, and again the statement that was issued last February gave many of us great concern about the administration. We appreciated the veto. We didn't like the statement. You don't have to respond. Thank you very much.

I yield to the gentleman from New York, the ranking member, Mr. Ackerman, for 5 minutes.

Mr. ACKERMAN. Thank you very much, Mr. Chairman. Just a comment on the last observation. I would observe that President Bush was the first President of the United States of America to proclaim that there should be a Palestinian state, and I don't know of any other President outside of President Obama who has said that he would veto any vote in the United Nations declaring the Palestinian state unless it was one that was negotiated between the parties.

I am not saying that to find fault with either President, because I think in both contexts they were each right. I have to proceed, but I just wanted to make that clear, that we have to come up with a common sense policy that is in the American interest, that the parties themselves negotiate and live with.

It seems to me we have a dilemma. We have two parties, mainly, within the Palestinian community. One is a terrorist organization, and one that proclaims peace, and they each seem to control a bit of real estate within the region. Commonsensically, you can't make peace with half of a wannabe country; with one that you are at peace with, and one that claims that their reason for existence is to destroy you. It just doesn't happen that way.

Everybody understands that they have got to get their act together somehow, if they are going to be indeed, someday, a country and speak with one voice. What that voice will be is the question. So there seems to be international pressure for them to get together, and now there is an international pressure that they not—at least from this part of the world—that they not get together, because of the identities that they represent.

The only way to do it, one would think, is for one of them to give up their identity, either the guys who want to make peace, or the guys who want to destroy. What the world is saying under our leadership is that the people who are looking to make war have to give up their stripes, or their spots, depending on how you want to describe it.

Can that happen? It seems to me that the Hamas faction only agreed to go into this unity government out of weakness. They are very concerned about what is happening in Syria. Do you think that is going to happen?

Also, my understanding is that there have been no appointments from the Hamas faction into this new proposed or agreed-to coalition government. It is the same guys that have been there all along, most of whom have no political party affiliation, either with Fatah or Hams. There is probably a couple of Fatah guys, but certainly no Hamas people. Is that a fair observation?

Mr. WALLIS. Well, thank you, Mr. Ackerman. I think you make a good point, that the Palestinian is divided, and it is hard to make peace with a divided—the other side of the divided. Our view has been that we are not opposed to the Palestinian immunity, but Palestinian immunity only makes sense if it is a road to peace and a negotiated outcome.

That is why we have insisted on the Quartet principles, recognition of Israel, renunciation of violence, acceptance of all previous agreements. So that is the kind of government that could actually foster a two-state solution. That is why we have been very clear with the Palestinians about how our laws apply and the need to see that kind of government.

I would say that we have tried to, through our assistance programs, indicate that there is a way, as we have seen in the West Bank, where the Palestinians can take responsibility for their affairs. They can provide security. They can provide services to their people. That is a path that is a model toward a Palestinian state that can live peacefully with Israel. The model we have seen in Gaza is something that is highly different.

Mr. ACKERMAN. Let me ask you a second question in the few seconds I have. The chairman has brilliantly put together a most distinguished panel representing the humanitarian, the security aspects, and the political aspects in our three expert witnesses. We have to come up with a policy, should this thing come together between, this so called merger between the Hamas and Fatah.

This is not a fairy tale. We don't have the wisdom of those people who write those things, and we very rarely get it just right. Either the porridge is too hot, or too cold; never just right with the work that we do. We will either underreact or overreact in our policy. What happens here—because I don't think we are going to underreact—my view of our colleagues suggests that we will prob-

ably, if that merger goes through, without the Hamas people reforming, if I can use that word, is that, likely as not, because of the U.N. and the merger, there will be a cessation of aid.

What does that do to our humanitarian efforts? What does that do, General, to the security efforts? What does that do to our political inclinations, and does that become a disaster or does that become a good policy?

Mr. CHABOT. The gentleman's time has expired, but you can answer the question.

Mr. WALLS. Let me just provide a chapeau, and then I will ask my colleagues to respond as well.

Just a few bits of background: The agreement between Hamas and Fatah was signed in Cairo on May 4th. Since then, no aspect of that agreement has been implemented. The first issue which they have tackled is who would be the Prime Minister of the new government, and they have reached an impasse on that. I think, as you are aware, President Abbas has proposed that Salam Fayyad continue as the Prime Minister. Hamas has not agreed to that, and they have not been able to resolve that question.

None of the other issues that must be resolved—who else would be in the government, a government program, or the policies of that government—None of those things have been agreed. So the prospects for this agreement are very uncertain. I have learned not to predict the future in the Middle East, but we have seen so far is that there are considerable problems between Fatah and Hamas in implementing that agreement.

Now in terms of the implications, if there is an agreement, we would certainly review any government that is formed based upon our law. We would look at the composition of the government. We would look at the government program, and we would look at the policies of that government. In particular, security would be an important factor that we would want to look at.

Let me ask General Moeller to comment on that and how we view things now and how we might factor that into our consideration in the future.

General MOELLER. Thank you, sir, for the question. If we talk specifically about a cutoff of security assistance to the Palestinians as an instantaneous policy, as you know, sir, it would immediately halt our efforts to—our advise and assist efforts to help the Palestinians institutionalize that professional culture.

It will also stop our build, train, and equip efforts at a time when we are beginning to transition them to the Palestinian Authority, so that they can have that self-sustainment capability to conduct professional security operations.

I believe that both the Israelis and the Palestinians would see it as a—It may not be as strong as a breach of faith, but they certainly would be very, very concerned that we are not continuing as their enduring security partners in this important part of the Middle East peace process.

There is a negative regional aspect as well, as you know, because the Jordanians, along with the Israelis and the Palestinian Authority, have this trust and confidence circle that really offers us opportunities rather than challenges. So I would see a cutoff of security assistance in a negative light today.

All that being said, again in all of my discussions with the senior Israeli general officers, they are adamant that we need to continue to help the Palestinians build a professional security force. In fact, they have been very helpful with offering me all kinds of different options.

On the Palestinian Authority side, again we are at a very pivotal moment in the security assistance program where we are beginning to see that cultural, professional performance institutionalized at the lower levels, as well as the beginnings of an institutional depth in the ministerial levels as well.

Mr. CHABOT. Thank you very much, General. Mr. Laudato, did you have anything to add, briefly?

Mr. LAUDATO. Just that the level at which we work at the institutional level is that it is the building block of a new Palestinian state, and we would, obviously, ensure that the full implementation of U.S. law—It would mean the end to that kind of work, and also, therefore, I think, compromise the environment that would be needed to move forward on any peace effort.

Mr. CHABOT. Thank you very much. The gentleman from South Carolina, Mr. Duncan, is recognized for 5 minutes.

Mr. DUNCAN. Thank you, Mr. Chairman. If Hamas partisans do not take a direct role in the Palestinian Authority's power sharing government, but the movement is giving power to approve of the government's composition, would the level of Hamas' involvement disqualify the Palestinian Authority from continued U.S. assistance? Mr. Walles?

Mr. WALLES. Thank you. The standard in the law is a power sharing government, or a government that would be controlled by Hamas. So we would have to look very carefully, if there is a new government, at how that is structured, what is the composition, who are the ministers. Also we would look at whether there are any other committees or anything else outside the government itself that Hamas could use to exercise influence over the government and its decision making. We would also look as well at the legislative council where Hamas has a majority, if that were to be revived.

So there are a number of actors that we would look at. We would have to take all those things into consideration to see whether there is any power sharing; in other words, whether Hamas does have any role in making decisions in the government.

At this point, as I said, nothing in this agreement has been implemented yet. There is no new government. So it is a bit of a hypothetical question in terms of what the government would be, but if there is a new government, we would certainly look at it very carefully and, as I said earlier, we would ensure that our law is fully and completely implemented.

Mr. DUNCAN. General Moeller, there was an article today in Financial Times talking about the Quartet that is meeting on the Middle East talks, and a senior Obama administration official said that more work needs to be done to close the gaps that exist before the Quartet can go forth publicly with the kinds of statements that might enable the parties to break through that impasse.

What sort of statements might be necessary in order to break an impasse?

General MOELLER. Sir, I would defer to my distinguished colleague here to answer that question. I don't believe that the Quartet principles we are talking about, capability gaps when it came to the Palestinian Authority Security Forces or concerns by the Israeli Defense Forces on where the gaps on the security side need to be filled.

Mr. WALLS. If I could, I will just answer briefly. We have been very clear that the path forward to a peace agreement is direct negotiation between the two sides, and we are trying to create that as an alternative to any unilateral actions in New York and elsewhere.

What we have been calling on the parties to do, both ourselves and through the Quartet, is for both sides to return to the direct negotiation on the basis of the speech the President gave in May. We have been working with the Quartet in a way to have that call come from the Quartet itself on both of the parties.

Yesterday there was a meeting of the Quartet. Secretary Clinton led the U.S. delegation there. What we found, as you referred to in your article, is that there continue to be gaps between the two sides, and that is what sort of underlies the difficulties we have got in trying to get back to a negotiating process; but we are continuing those discussions. There are meetings at a lower level as we speak among the Quartet to try to find ways to submit a call to the Israelis and the Palestinians to return to negotiations on that basis.

Mr. DUNCAN. You mentioned the speech in May, but Prime Minister Netanyahu has said that the '67 border is indefensible, and so the other side needs to come to the table, I think, with something different than that.

The Quartet needs to come to the table with something different than the 1967 borders. We need to see, I think, more on the part of the Palestinian Authority coming closer to recognizing the State of Israel and not continuing to have Hamas fire missiles into—or rockets, rather, into the territory. I think, just yesterday, there were more rockets fired.

So one quick question I had: About 6,000 tons of food and other aid goes into the Gaza Strip every day. Where does most of that come from, just for my edification?

Mr. WALLS. The food, the other things that are shipped into Gaza—some of those are commercial purchases, as in any other place, and some of those are donations financed by international donors. We provide roughly \$77 million in assistance right now to projects in Gaza. These are administered by USAID. It includes support for the U.N. Food Program.

We also do a number of health care, education, and small infrastructure projects. Everything that goes into Gaza for these projects or anything else must pass through Israeli checkpoints, and are inspected. So in order to implement these projects in Gaza, we work closely with the Israeli authorities to make sure that these bids can move in. Thereby, everything we are doing in Gaza is supported by the Israeli Government.

In fact, as I mentioned, I was just in Israel and had some meetings with the Ministry of Defense officials, and they all expressed support not only for the programs that we are implementing in

Gaza, but also from other donors, from Europe, from the World Bank, and from U.N. organizations as well.

Mr. CHABOT. The gentleman's time has expired. The gentleman from New York, Mr. Higgins, is recognized for 5 minutes.

Mr. HIGGINS. Thank you very much, Chairman. General Moeller, you had indicated the Israeli officials have indicated that help in building the Palestinian Security Force is something that they continue to encourage. Is that in recognition of this power sharing agreement between Hamas and Fatah and the Palestinian Authority?

General MOELLER. Thank you for the question, sir. Actually, it is a result of, I believe, a longstanding appreciation for the Palestinian Security Force capabilities. The PASF has become very capable in ensuring—helping to ensure law and order across the entire West Bank, and of course, when it comes to the Israelis, especially in the Israeli Defense Force senior leaders, they understand that having a stable, secure West Bank is critically important to and reflects positively on Israeli security.

Mr. HIGGINS. But doesn't the inclusion of Hamas, bent on the destruction of Israel, seriously compromise the credibility of that effort?

General MOELLER. Sir, as of the current date, there is no Hamas participation in any parts of the government. There is no participation by any members of Hamas in the Palestinian Authority Security Forces, and—

Mr. HIGGINS. Right, but if they had a Fatah, Mahmoud Abbas is accepting of a power sharing agreement. I presume that that relationship, including the significant involvement of Hamas, will evolve and serve to undermine the credibility of the progress that has been made there, including especially in terms of the security force.

General MOELLER. Yes, sir. I think the Israelis, especially the senior leaders—they have the same philosophy that we do. Watch very closely as events unfold. Make sure that we are very cautious as we continue to support and provide assistance to the Palestinian Authority Security Forces, and with an understanding that, if there is any change in the environment, if there is any change in the willingness and the professional performance of the Palestinians, then we will reevaluate our support.

That is, I think, consistent from the USSC perspective, as well as from the Israeli perspective.

Mr. HIGGINS. When you look at the models throughout the world—and unfortunately, there are too few—certain preconditions should exist, and if those parties don't agree to those preconditions, our commitment should be substantially pulled back.

I look at the situation in Northern Ireland. It was required that Sinn Fein and the Irish Republican Army, to participate in peace talks, had to renounce violence, had to actually destroy their arms. International observers had to observe the destruction of those arms before negotiations could begin.

It seems to me that what this effort on the part of the Palestinian Authority in this power sharing agreement—it lacks credibility, because if you are looking for a peaceful solution, a peaceful two-state solution, it would seem that all of the parties included

should agree to certain preconditions that allow a basis for trust and understanding to allow the peace process to evolve, and that doesn't seem to exist here.

I yield back.

Mr. CHABOT. Thank you very much. I appreciate it. And the gentleman from California, Mr. Rohrabacher, is recognized for 5 minutes.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman. Let me just note that my colleague who just finished his time was actually touching on a very important approach, and maybe a mistaken approach, that has been made in bringing peace to that region. Seems to me, following up on your line of questioning, that there is a difference between setting a precondition on one's assistance versus maintaining assistance, even though the parties who are receiving it are not necessarily committed to changing the status quo.

So in one situation, actually, your assistance aids in maintaining the unacceptable situation, versus saying, when you do this or that, we are going to actually continue our aid, which leads me to one point that I think—I'm sorry, I can't pronounce your name.

Mr. LAUDATO. Laudato.

Mr. ROHRABACHER. Okay. Probably still can't, but we are talking about water. Would it be something that we could, for example, set as a precondition that, if indeed there is an agreement between the Israelis and the Palestinians, couldn't we not set out our assistance in terms of water, saying we will build you the water system you need, but we are not going to do that until both parties have reached an agreement necessary for peace.

Mr. WALLS. Let me respond to your first point, and then I will ask my colleague to talk about water a little bit.

One point I wanted to make clear is that we feel we have accomplished a lot with the assistance programs that we have run over the number of years with the Palestinians. Let me just read one fact. This is related to our security program, and this is information from the Israel Defense Forces, and it is public information.

According to the IDF, the number of terrorist attacks in the West Bank has decreased from 841 in 2005 to 36 in 2010. This represents a 96 percent decrease in the number of terrorist attacks in 5 years. Now that is, obviously, significant, not just for the Palestinians. It is very important for Israeli security. It is very much in our national interest.

So we believe we have been accomplishing things. We are not, in a sense, perpetuating an unacceptable status quo. We are actually accomplishing things, and we don't want to lose that.

Mr. ROHRABACHER. Let me note that 15 years ago the idea of a two-state solution was not accepted by both parties, and both parties seem to want—The Palestinian wanted Israel to disappear, and the Israelis wanted the Palestinians to disappear; and just the fact that we have got both sides now supposedly agreeing to a two-state solution is a major step forward, but let me just also amend that by saying it seems to me the major stumbling block to peace right now is nothing more or less than the Palestinians accepting that Israel has a right to exist as a Jewish state, meaning that the Palestinians will give up and just say, "We do not believe in the right of return."

The moment that happens, you are going to have a huge step forward in the cause of peace. I think that perhaps the \$550 million we are giving to the Palestinians might be predicated on you might think about making this public commitment. Otherwise, we are not going to have another step forward like we have, like you are suggesting today.

Mr. WALLIS. Thank you for those comments. We have, as I said, been very clear with the Palestinians on the need to return to direct negotiations. Those issues that you referred to are issues that have to be negotiated between Israel and the Palestinians. That is the only pathway to achieve the kind of peace which the sides both say they want.

Mr. ROHRBACHER. Let me put it this way. Once this idea of the right of return is—they acknowledge that this is no longer something that they believe in, at that point we are just discussing what are the borders going to be between the Palestinians and the Israelis, and whether or not there is going to be resources like water available for both entities.

I would hope that our aid program is not letting people just maintain their current situation in a status quo that is unacceptable, when the course is very easy to see. Of course, it is easy to see that, but it is harder to get people to actually make the commitment that, yes, Israel has a right to exist, because at that point it does say, okay, we have given up this dream that the Palestinians are going to retake this entire area that perhaps most of it used to belong to them.

Mr. CHABOT. The gentleman's time has expired. Thank you very much. We will now recognize the gentleman from Virginia, Mr. Connolly, for 5 minutes.

Mr. CONNOLLY. Thank you, Mr. Chairman, and welcome to the panelists. Mr. Laudato, AID has a fairly extensive presence in the West Bank.

Mr. LAUDATO. Yes, sir.

Mr. CONNOLLY. Cooperating with the Palestinian Authority, working with the Prime Minister, Mr. Fayyad. Do you have any programs in the Gaza?

Mr. LAUDATO. Yes, we do, sir.

Mr. CONNOLLY. And what is the level of cooperation or how would you compare the level of oversight and cooperation with the Hamas authorities in charge there compared to the Palestinian Authority and the West Bank?

Mr. LAUDATO. Oversight and cooperation are two separate issues. With regard to the cooperation, we do not work with the de facto Hamas government in Gaza. All of our assistance is coursed through international NGOs or international organizations, and we monitor it very closely to the extent that we can, utilizing the kinds of instruments and processes that you use when you can't have boots on the ground.

Mr. CONNOLLY. So the contrast is that we do work with the government—the functioning government of the West Bank.

Mr. LAUDATO. Yes, we do, sir.

Mr. CONNOLLY. And you work through it sometimes.

Mr. LAUDATO. And through it, and with it.

Mr. CONNOLLY. But in the Gaza we work through nonprofit or international NGO entities. Presumably, however, at some point they intersect with the Hamas authorities.

Mr. LAUDATO. They operate with the tacit concurrence of the authorities, but we will not permit that the Hamas government organization to directly control or shape how this assistance is utilized. That is determined by the NGOs or by the international organizations, with our concurrence and with the concurrence of the Israelis.

Mr. CONNOLLY. What is your understanding about that *modus operandi* and how it would change under the new power sharing arrangement being proposed?

Mr. LAUDATO. I can't imagine it would change under the new power sharing.

Mr. CONNOLLY. Why would you not imagine it would change? Now you would have a unified government.

Mr. LAUDATO. Because we have U.S. law to contend with, and we must follow and we must implement U.S. law, which would not permit us to operate with a group, Hamas or controlled organization, as long as that organization was still considered by the U.S. Government to be a terrorist organization.

Mr. CONNOLLY. So conversely, it could change your operations in the West Bank.

Mr. LAUDATO. Yes, it could, sir.

Mr. CONNOLLY. Because you could find yourself technically in violation of United States law.

Mr. LAUDATO. We would not violate it. We would end it.

Mr. CONNOLLY. I understand. General Moeller, the same question for you. What are your operations, if any, in the Gaza? Presumably, none. Secondly, what is your understanding about how that would change, once this power sharing arrangement is underway, either in the Gaza or in the West Bank or both?

General MOELLER. Yes, sir. That is correct. We have no work in Gaza. We are focused exclusively with the Palestinian Authority and with the security forces that operate on the West Bank.

As Mr. Walles said, it is impossible to predict the future, especially in the Middle East. So the different sequels and branches that could occur based on a power sharing type government on the West Bank, it is impossible for us to predict. But again, as all of us have said, if in fact, there is Hamas presence in a power sharing government, we will meet U.S. law, the requirements of U.S. law.

Mr. CONNOLLY. Which would include possibly cessation of the activities you described earlier in the West Bank?

General MOELLER. That is correct, sir.

Mr. CONNOLLY. Thank you. Mr. Walles, in the brief time I have left, one of the things I hear from the Palestinian community in my community is opposition to the two-state solution. They actually advocate for one state. Why can't we just make one state work? Have the authorities you are working with in the Palestinian Authority, in fact, publicly embraced the two-state solution, and are they committed to it?

Mr. WALLEES. Yes, sir. President Abbas and Mr. Fayyad, all of the senior officials at Palestinian Authority have been very clear in public and also in our private conversations. They are seeking a

two-state solution. They are seeking integration of the Palestinian state that would exist side by side in peace and security with Israel. That is the objective that we have been aiming at. That is also the position of the current Israel Government as well. They also support a two-state solution.

I know there is discussion, both among your constituents but also in the West Bank and Gaza about a one-state solution. That is not something that we see makes any sense. It is also something that in the polling that we have looked at among Palestinians in the West Bank and Gaza, there is still a strong support for peace with Israel and for a two-state solution. It is not unanimously, obviously, but the strongest support is for a two-state solution.

Mr. CONNOLLY. Thank you, Mr. chair.

Mr. CHABOT. The gentleman's time has expired. The gentleman from Kentucky, Mr. Chandler, is recognized for 5 minutes.

Mr. CHANDLER. Thank you, Mr. Chairman. Welcome, gentlemen. Nice to see you all, and thank you for all of your work on behalf of our country in, I guess, the most confusing, difficult, and complex region in the world, and I think we all understand how complex these issues are. There are no easy solutions, and I know you all are working and doing your best to get through them. There are, of course, a number of things that are troubling, though.

We have got a request in the 2012—The 2012 request from the President is for \$400 million or so in aid. That request assumes a certain level, as has previous aid, a certain level of cooperation on the part of the Palestinian Authority to move toward the two-state solution, and all the aid is geared toward that. Yet we see, in particular, two very, very troubling things occur.

One is, of course, the Hamas Fatah agreement and where that seems to be leading, and we all know what trouble exists there. We also see an effort to move outside of direct negotiations, to try to go for the September vote in the United Nations. Surely, you all can understand how that is troubling to people in Congress and, frankly, I think, to the citizens of this country, that we continue to provide substantial aid, and we feel like we are not getting cooperation.

That is the situation, I think, a lot of us feel cannot continue, and at some point we are going to have to just say, you know, if you guys are not going to cooperate, we are going to have to cut the aid off. There are times when that is all that people understand, and I think we are going to have to look toward that, and I think that is coming if we don't get a little bit more cooperation.

Could you give me an assessment of the effectiveness of these projects, and you have talked about some of the security concerns that have been addressed, and I understand that you have some statistics on terrorism and how some of that has been reduced. But on the economic side, what economic projects have been effective, and which ones have not? Do you have projects where the money has been spent in the past that have not been effective?

Secondly, what are we doing to move this issue forward, of seeing that these folks cooperate in exchange for this money? With budgets as difficult as they are now, performance is extremely important. We have got to get—Our money has got to get results.

Mr. WALLS. Thank you for those comments. I would agree completely that, particularly in this day and age and the budget environment that we face in this country, that all of our assistance, wherever it is used, has to be done effectively, has to be based upon a certain level of cooperation.

Our entire aid program, whether it is security or economic, is based on the premise of a two-state solution, and therefore, we need to be sure that the Palestinian side remains committed to that two-state solution. Now they say they do, but just as you have concerns, we also have concerns about this reconciliation agreement. We have been clear about that with them, and we also strongly oppose any effort to go to the United Nations on a unilateral basis.

Mr. CHANDLER. But they are clearly involved in that effort.

Mr. WALLS. Well, they are, but again we have to judge based upon what actually happens. As I said, the reconciliation agreement has not been implemented. We are not sure whether it will be, or not. So if there is a new government, we will react to that, but at this point, there is no new government, and similarly in New York. We have been very clear. We told the Palestinians that is not the pathway they should be moving down. They have an important choice to make, and it will have consequences in terms of our relationship, if they choose that path.

In terms of your question on the economics, maybe I will ask my colleague to respond to that.

Mr. LAUDATO. Thank you. Just briefly, three areas where cooperation is critical. Water, as Congressman Rohrabacher said. Water is an environmental issue, and it doesn't recognize political boundaries. So working on water, you are working with both the Israelis and the Palestinians, getting them to cooperate. You can't drill a well here and not expect the aquifer across the border to be impacted.

So we are very careful about that. We have brought them together around these water issues, I think, very effectively. Roads: Building roads is another area where we tend to help these two entities work together because of the security implications of roads. Probably the most interesting is sort of working with the Palestinian private sector.

These young people, these young entrepreneurs in Palestine recognize their natural partners are across that border in the Israeli private sector, and there is a tremendous desire to get together to make money, because that is what the private sector is all about, and helping to create the linkages, either utilizing U.S. firms that are there to stimulate or sometimes just directly between the two societies, it is helping to foster the kind of cooperation, and that cooperation is absolutely essential to the development of the region, I would say, on both sides of that border.

Mr. CHABOT. The gentleman's time has expired. We are going to do a second round here, and I will begin with myself. I recognize myself for 5 minutes.

Mr. WALLS, you stated in your testimony that—and I will quote you—“Our assistance gives us strong leverage.” Given that statement, it is troubling that, after all these years, it is increasingly hard to believe that the Palestinian leadership is truly partners for

peace with Israel. Eighteen years after Oslo, and despite having received billions in U.S. assistance, the Palestinian leadership continues to refuse to embrace the very vision of two states for two peoples that you cited in your statement, even as the Israeli Government accepts that vision.

The Palestinian leadership also refuses to recognize Israel's right to exist as a Jewish state for the Jewish people, even as they seek a Palestinian state for the Palestinian people, and anti-Israel incitement continues to be propagated by PA control of institutions, including maps of the area that show no State of Israel, with a State of Palestine in its place that stretches from the Jordan River all the way to the Mediterranean Sea.

So is it that our assistance given us—Excuse me. Is it that our assistance hasn't given us leverage in this regard or that we haven't really used it, and the Palestinian Antiterrorism Act requires the Palestinian Authority to stop incitement and recognize the Jewish State of Israel's right to exist, if it wants to keep receiving U.S. assistance.

Given the PA's record and given U.S. law, how can we justify continued assistance?

Mr. WALLS. Thank you for that question. Our assistance gives us leverage, and we do work closely with the Palestinian Authority on this whole range of issues. We are speaking to them about reconciliation agreement. We are speaking to them about unilateral actions in New York. We speak to them about incitement, and we talk about problems and textbooks, a whole range of issues, and we have found over the years that our ability to discuss these issues has produced results.

In addition, as I explained earlier, we feel that there are practical benefits that come out of the assistance we provide. We have seen over the years improvements in security. I alluded to that earlier. We have also seen how our assistance has helped the Palestinian Authority develop the institutions that they will need for a two-state solution.

It is, obviously, not an easy process, and we have continued to have issues that we have to discuss with the Palestinians, and we do that, but I have dealt with the Palestinian leadership for a number of years. I was in Jerusalem for 4 years with our Consul General, and I have to say that, in terms of their commitment to peace, I am convinced that President Abbas, Prime Minister Fayyad are indeed committed to peace with Israel. They are committed to a two-state solution. I have known both of them for a long, long time. So I think that commitment is there.

Clearly, there are issues that we have with the Palestinian Authority, and there remain considerable gaps between Israel and the Palestinians on the issues between them, borders, refugees and so forth. So this is not an easy problem, but it is one where we believe it is in our national interest to achieve that two-state solution and to use all the tools that we have through our assistance and other means, to advance in that direction.

Mr. CHABOT. There are many of us that are getting more and more skeptical about that assistance. You mentioned Prime Minister Fayyad. Let me ask you this. He is a very well respected per-

son by the western world. He has strengthened Palestinian institutions and, certainly, helped to turn the economy around there.

There are questions as to whether Prime Minister Fayyad will retain his position, if a new unity government is formed. What, if any, are the implications for U.S. assistance if Fayyad is not the Prime Minister of the next Palestinian Government, and is replaced by a less reputable person?

Mr. WALLIS. We have a great deal of confidence in Prime Minister Fayyad. We have worked with him. He has done tremendous things, as you have said, in terms of improving the institutions of the Palestinian Authority, improving the security situation, public finance, and so forth.

I don't want to get in the position of helping the Palestinians choose who their prime minister is. We have, obviously, very good relations with Fayyad since 2007 when he has been the prime minister. I would say that, certainly in terms of our law, but also in terms of our policy, what is important are not the individuals.

What is important are the institutions, and it is important that there be a Palestinian Authority Government, whoever heads it, that is committed to the principles, the Quartet, recognition of Israel, renunciation of violence, acceptance of all the previous agreements, and a two-state solution.

That is what is important to us, the policies, the composition of that government. That is more important, in many ways, than an individual, but again everything Fayyad has done over the last 4 years as prime minister has been remarkable in terms of the achievements.

Mr. CHABOT. Thank you. I would ask unanimous consent for one additional minute to ask a question here, without objection.

General Moeller, if I could, could you please describe the U.S., not the Israeli or the Palestinian but the U.S., vetting mechanisms that are in place or that are employed relative to the Palestinian Security Forces? How often is follow-up vetting performed? Is there any kind of biometric tools used to assure that there is no malfeasance and that sort of thing?

General MOELLER. Yes, sir. As you know, Palestinian recruits, before they can go to their training in Jordan, go through an extensive vetting program, and it really starts with the Palestinian Authority. They do a pre-vetting for all of the recruits before they are actually—they submit names to the United States and to Israeli Government.

We comply with all of the legal requirements or Title XXII or I&L funding for Leahy vetting as well as for—and it, of course, uses all of the tools that we have at the disposal of the Department of State. So the Palestinian recruits go through a vetting process with a pre-vetting process by the Palestinians. The United States does our legally required vetting. The Israelis do an extensive vetting, and then before one trooper moves, the Jordanians have an opportunity to do vetting for each recruit.

A good example is that we recently received vetting results from the Israelis for 650 Palestinian Security Force members that will move either next month or in early September for their basic training. Of those 650 recruits, the Israelis rejected five. So what you can see is that the Palestinians are doing a very good job in their

pre-vetting, as well as the vetting that all of the services go through.

We have also seen, of course, for every program that they go through that is provided through U.S. assistance, they go through—each of the members go through another additional vetting process as well.

Mr. CHABOT. Thank you very much. I thank the panel. I would now recognize the gentleman from New York for 5 minutes plus 1 minute, to be fair. So the gentleman is recognized for 6 minutes.

Mr. ACKERMAN. There is this TV game show or whatever. You spin a wheel, and all the parties try to keep racking up points before they solve the puzzle, and sometimes they get a little bit too greedy. Instead of solving the puzzle, they wind up bankrupt. They try to keep building their score.

Let us go right to trying to solve the puzzle. The goal here is to get both sides back to the bargaining table. There is great danger in that not happening. The results could be disastrous for both sides. How do you get them back to the bargaining table?

The President had a proposal. I wasn't startled by it. I don't think anybody who has followed this was startled by it. It is something that has been discussed by a lot of people over a lot of years in a lot of different administrations. There is some face saving that has that has to take place as well between the Israelis and the Palestinians to get back to the table.

The President threw out what he calls pre-'67 lines. The prime minister rejected that, because he said those lines were indefensible. Why don't we employ some Solomonic wisdom and cut this baby in half. Let us narrow the difference. If someone were to make a proposal that said get back to the table based on the following proposition with mutually acceptable swaps, but the impetus being, start with the fence that the Israelis picked out.

Presumably, they could have put it down anyplace that they wanted. In some places, they have moved it to accommodate legal decisions of their court, but presumably if they put down a security fence, they defined a line that they thought was defensible. Otherwise, they would have put it, commonsensically, someplace else.

If we said, let us take both sets of lines, the pre-'67 lines and the fence, and used both lines as the basis to get back to the bargaining table with mutually agreed to swaps, which means the Israelis could have a veto if they think there is a problem, as would the Palestinians, and go back to square one, that would mean that the large settlement blocks remain on the Israeli side, which everybody seems to agree is going to happen in any deal that can possibly be reached, and narrow those differences to somewhere between the pre-'67 lines and the security fence, is there enough there to talk about?

Is there enough face saving for both sides? Could you start with both sides lines that both sides have claimed that they want, and there is a lot fewer hectares, acres, inches to squabble about? Does that work, politically and from a security point of view?

Mr. WALLIS. Mr. Ackerman, if you and I were negotiating this, I am sure we could work it out. The difficulty here, of course, is—

Mr. ACKERMAN. And who is going to nominate me?

Mr. WALLS. The difficulty, of course, is reconciling the Israeli position and the Palestinian position, not just on the issue of territory but on many, many issues, and there are indeed some important gaps.

What the President did in his speech on May 19th is to try to lay out what he thought was a balanced way in which we could resume negotiations, and he talked not just about the territorial aspects. He also talked about security, and that is an important part of that balance.

The President also on the 22nd of May explained in a little bit of detail what he meant. I think it is worth just sort of reading that. He said that, when the two sides negotiate such a border, it will necessarily be different than the June 4, '67 line. That is what the concept of mutually agreed swaps is. So, clearly, the parties are going to have to sit down in direct negotiation and work this out.

The President's point in laying out these ideas on territory and security was not to lay out the outcome. It was to start to give a basis on which they could begin.

Mr. ACKERMAN. But the premise I am putting before you is, yes, the prime minister didn't want to start there, because he said those were indefensible. So put out his defensible one—presumably, the fence is defensible.

Mr. WALLS. I think it is an interesting idea. At the moment what we are trying to do is to get both sides to agree to come back to negotiate, based upon the totality of what the President said. We have conversations that are ongoing.

Mr. ACKERMAN. But that incorporates what the President said. It incorporates what the prime minister did.

Mr. WALLS. I think it is an interesting idea.

Mr. ACKERMAN. I don't want to endorse my own proposal, but I will, if nobody else does.

Mr. WALLS. I will take that back, and we will see what we can do with it.

Mr. ACKERMAN. General, is that logical?

General MOELLER. Sir, heaven forbid that I would actually talk about Israeli security concerns from their perspective. It sounds like a proposal that we do need to take back and talk about. Certainly, I would be perfectly willing to talk with the IDF about how that fits in.

Mr. ACKERMAN. Thank you. Mr. Chairman, I don't need the extra minute.

Mr. CHABOT. You already took it. We gave you six. Henceforth, we will have the Ackerman plan. The gentleman from California, Mr. Rohrabacher, is recognized for 5 minutes, or 6. He always takes six anyway.

Mr. ROHRABACHER. How much money are we providing in assistance, all assistance to the Palestinians?

Mr. WALLS. For the Fiscal Year 2011 budget, we requested in economic support funds \$4,400,000. That is the same level that was requested in Fiscal Year 2010. That is money that is implemented by USAID. In addition to that, we have requested \$150 million in INCLE money. That is International Narcotics Control and Law Enforcement. That is the program that funds General Moeller and his program. So those are the two components of the assistance.

Mr. ROHRABACHER. Where is the \$77 million to Gaza? What account does that come out of?

Mr. WALLS. Well, those are projects that are ongoing now. So that comes out of previous appropriations.

Mr. ROHRABACHER. So we are spending—But that is not included. So it is not included in the \$600 million that you just described, or it is?

Mr. WALLS. The projects that I described in Gaza have been funded out of previous year money. Those are ongoing projects. Now the money we are requesting for 2011, the total of those two, is roughly \$550 million.

Mr. ROHRABACHER. That includes the \$77 million going to Gaza or is it \$77 million more than that?

Mr. WALLS. No. All of what we are doing is included in those two appropriations.

Mr. ROHRABACHER. Thank you very much. How much are we giving to Israel?

Mr. WALLS. Our assistance to Israel is all foreign military financing. It is in the neighborhood of \$3 billion a year.

Mr. ROHRABACHER. \$3 billion, and no other assistance to Israel?

Mr. WALLS. There is no economic assistance at the moment to Israel.

Mr. ROHRABACHER. It seems to me, again as we look at what is going on, the status quo we find ourselves in, is that the solution, really—the idea of just getting themselves talking to each other is—They could talk about whatever and get nowhere. It seems to me, the stumbling block is whether or not the Palestinians will agree that the right to return, meaning to swarm into an Israel that would exist and thus change its basic nature. That is the issue at hand, is it not?

They can always come to an understanding about borders, but until they understand that, that is the essence of what the disagreement is.

Mr. WALLS. I appreciate your perspective on this. The issues that the Israelis and the Palestinians have agreed form the permanent status negotiations include the borders, security, refugees, Jerusalem, water. Those are the ones that they will have to decide in the course of those negotiations, which includes refugees, as you put it, on the right of return. So that is an issue that they are going to have to deal with.

Mr. ROHRABACHER. But, obviously, until the right of return is dealt with, nothing else matters, because Israel, obviously, isn't going to say, oh, yes, 3 million people or 2 million people can come right back into Israel, which changes the very nature of what they have been fighting for their entire time.

Let me ask you this. It seems to me from what I am hearing here today, that we have been treating this rather than as an impasse on policy, which I see it as, as instead as some kind of a development program. We spent so much money in doing this and preparing this, and even to the point of we are micromanaging the vetting of their troops or their constables or whatever you want to call them.

Just for the record, Mr. Chairman, I don't think that looking at the peace process as a development program is going to bring

peace. However, offering some incentives, as I mentioned earlier, to both sides to come to grips with those specific issues is a totally different approach. Frankly, I think the approach we have been using, shoveling out dollars to the back of a truck has not worked, and I think we need to take a different approach in one last segment here. So I got 25 seconds left.

Back to water: Where does the Red Sea and the Dead Sea project, which is one of their huge potential water projects for that area—Where does that stand, and could that possibly be something that we would say, you guys agree to the final solution here, and we will move forward and work with you to develop this water project?

Mr. LAUDATO. Thank you, Congressman. With regard to the Dead/Red project, most of our discussions have been regionally on that project, because, obviously, it impacts on the Palestinians, on the Jordanians, and on the Israelis. I believe that the current status is that there is still some substantial environmental assessment work that is ongoing. That is, I believe, being financed by the Jordanian Government itself, but this issue does appear on agendas when we talk to each of the governments in the region on a regular basis, but we have treated it up to this point as a technical issue, because we are trying to figure out what the engineering is, what the environmental impact is, and those issues.

Mr. ROHRABACHER. That assessment has been going on for 10–20 years now.

Mr. LAUDATO. Yes, absolutely.

Mr. ROHRABACHER. Let me just note, it could be a great symbol of freedom and progress and prosperity and peace to that region, but I don't think it is going to happen as a development project. It will happen as a promise to those people if they can find peace with each other, and peace will come when the fundamental issues are agreed upon.

Thank you very much.

Mr. CHABOT. The gentleman's time has expired. The final questioner today will be the gentleman from Florida, Mr. Bilirakis.

Mr. BILIRAKIS. Thank you, Mr. Chairman. I appreciate it very much.

What can you tell me for the panel—or what can you tell me about Hamas' direct involvement of the so called Gaza Flotilla efforts, whether the one launched from Turkey last year or the most recent attempt that was supported by the Greek Government last week. Let me just take a moment to publicly thank the Government of Greece for preventing the illegal launch of these boats, which were embarked on a campaign to render aid and comfort to a terrorist organization violation of a lawful blockade.

Having said that, if a direct or indirect Hamas role can be established, what does that say about the seriousness of Fatah to negotiate peaceably with Israel, and also would you agree these types of flotillas are unnecessary as legal mechanisms already exist to provide assistance to the people of Gaza?

Mr. WALLS. Thank you, sir, for raising that question. Due to the combined efforts of many parties, and you mentioned the Greek Government—they played an important role in this—we have been able so far this year to head off a repeat of a flotilla to Gaza.

I would agree with you completely that such flotillas are unnecessary. They exist to establish mechanisms to allow humanitarian assistance and development projects to occur in Gaza. We fund our own projects in Gaza that we have talked about earlier. All of these projects are done with the approval of the Israeli Government.

There are also established mechanisms in place to provide humanitarian support. If other private organizations or other international donors want to provide humanitarian or other assistance to Gaza, there are ways to do that. So these flotillas are not necessary, and we are pleased that, so far this year, we haven't seen a repeat of the kind of incident that we had last year.

In terms of any Hamas involvement in these flotillas, we haven't seen that. These flotillas seem to be organized by private groups, many of them in Europe. There was one organization in Turkey that played an important role last year, but we haven't seen any direct Hamas involvement. If there were, of course, that would be another matter of concern, but we have a great deal of concerns already about Hamas. They are a foreign terrorist organization.

Mr. BILIRAKIS. Thank you. Anyone else on the panel? Thank you very much, Mr. Chairman. Appreciate it. I yield back.

Mr. CHABOT. Thank you very much. The gentleman yields back.

We want to thank the very distinguished panel here this morning for their testimony. It has been very helpful.

I would note that all members will have 5 days, 5 legislative days, in which to insert statements or revisions to the record.

If there is no further business to come before the committee, we are adjourned. Thank you.

[Whereupon, at 11:51 a.m., the subcommittee was adjourned.]

## A P P E N D I X

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MATERIAL SUBMITTED FOR THE HEARING RECORD

**SUBCOMMITTEE HEARING NOTICE**  
**COMMITTEE ON FOREIGN AFFAIRS**  
*U.S. HOUSE OF REPRESENTATIVES*  
*WASHINGTON, D.C.*

**Subcommittee on the Middle East and South Asia**  
**Steve Chabot (R-OH), Chairman**  
July 6, 2011

You are respectfully requested to attend an OPEN hearing of the Subcommittee on the Middle East and South Asia, to be held in Room 2172 of the Rayburn House Office Building (and available live, via the WEBCAST link on the Committee website at <http://www.hcfa.house.gov>):

**DATE:** Tuesday, July 12

**TIME:** 10 a.m.

**SUBJECT:** **Promoting Peace? Reexamining U.S. Aid to the Palestinian Authority**

**WITNESSES:** The Honorable Jacob Walles  
Deputy Assistant Secretary of State  
Bureau of Near Eastern Affairs  
Department of State

Lieutenant General Mike Moeller  
United States Security Coordinator for Israel and the Palestinian Authority  
Department of State

The Honorable George A. Laudato  
Administrator's Special Assistant for the Middle East  
U.S. Agency for International Development (USAID)

**By Direction of the Chairman**

*The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.*

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# COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON MESA HEARING

Day Tuesday Date July 12 Room 2172

Starting Time 10am Ending Time 11:51am

Recesses ☐ (to to ) (to to ) (to to ) (to to ) (to to ) (to to )

Presiding Member(s)

*Steve Chabot*

Check all of the following that apply:

Open Session ☒

Executive (closed) Session ☐

Televised ☐

Electronically Recorded (taped) ☒

Stenographic Record ☒

TITLE OF HEARING:

*Promoting Peace? Reexamining U.S. Aid to the Palestinian Authority*

SUBCOMMITTEE MEMBERS PRESENT:

*Ackerman, Bilirakis, Cardoza, Chandler, Connolly, Higgins, Rohrabacher*

NON-SUBCOMMITTEE MEMBERS PRESENT: (Mark with an \* if they are not members of full committee.)

*Duncan*

HEARING WITNESSES: Same as meeting notice attached? Yes ☒ No ☐

(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: (List any statements submitted for the record.)

*Connolly*

TIME SCHEDULED TO RECONVENE \_\_\_\_\_

or

TIME ADJOURNED \_\_\_\_\_

*KwA*  
Subcommittee Staff Director

The Honorable Gerald E. Connolly (VA-11)

**MESA Subcommittee Hearing:  
Promoting Peace? Reexamining U.S. Aid to the Palestinian Authority  
Tuesday July 12, 10am**

The recent reconciliation between Fatah and Hamas caught the attention of the international community. Last week's passage of House Resolution 268 by a vote of 407-16 displays the overwhelming support for the "firm belief that any Palestinian unity government must publicly and formally forswear terrorism, accept Israel's right to exist, and reaffirm previous agreements made with Israel."<sup>1</sup> The Resolution also "reaffirm[ed] the United States' statutory requirement precluding assistance to a Palestinian Authority that includes Hamas" unless the PA and all its ministers abide by the three previously mentioned conditions, which have long been a part of the United States' Middle East policy. When examining this policy it is important to closely scrutinize one of its key components—economic aid designed to facilitate basic services for the future.

For FY12, the U.S. State Department proposed \$200.4 million through USAID to the Palestinian people for four specific sectors: governance, rule of law, civil society; health, education, social services; economic development; and humanitarian assistance. State also proposed \$200 million in direct budgetary assistance to the Palestinian Authority in the West Bank. It is important to note that USAID has strict vetting requirements for its programs,<sup>2</sup> which subjects West Bank and Gaza programs to a specialized process for non-U.S. organizations and to annual audits to ensure that no terrorist groups intercept the funds. Moreover, annual appropriations bills routinely prohibit aid for Hamas or Hamas-controlled entities; for FY11, these were contained in the Consolidated Appropriations Act of 2010. The United States also funds training of and non-lethal equipment for PA security forces in the West Bank, along with funding for the rule-of-law infrastructure (such as building police stations) and the justice sector.<sup>3</sup>

Though USAID funds programs in Gaza, the situation there necessitates a different model. The United Nations Relief and Works Agency (UNWRA) provides basic services for about 4.8 million Palestinians. The humanitarian situation in Gaza is dire, and cutting off aid would be devastating to the millions of Palestinians who rely on the multilateral aid organization.

The United States has strategic reasons for ensuring that Palestinians have access to basic services. It has been longstanding policy to endorse a two state solution, which, by its very nature, requires governments that can provide basic services for their people. In the case of the Palestinians, this is a work in progress. The United States and its allies are laying the groundwork by providing aid for specific purposes, in the hopes that a future, long-lasting peace is viable. Cutting off aid suddenly could have severe consequences for the future of Middle East peace.

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<sup>1</sup> House Resolution 268, 112<sup>th</sup> Congress.

<sup>2</sup> As outlined in Public Law 111-117.

<sup>3</sup> For FY12, State proposed \$77 million for Training, non-lethal equipment, and garrisoning assistance, supporting efforts by the U.S. Security Coordinator; funding for justice sector and rule-of-law infrastructure was proposed at \$36 million.